

MTOUCHE TECHNOLOGY BERHAD
 Company no. 656395-X
 (Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
 AND THREE MONTHS ENDED 31 MARCH 2007**

CONDENSED CONSOLIDATED INCOME STATEMENTS (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31 MARCH 2007 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31 MARCH 2006 RM'000	CURRENT YEAR TO-DATE 31 MARCH 2007 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31 MARCH 2006 RM'000
Revenue	12,285	11,962	12,285	11,962
Cost of sales	(4,896)	(5,617)	(4,896)	(5,617)
Gross Profit	7,389	6,345	7,389	6,345
Administrative expenses	(3,116)	(1,601)	(3,116)	(1,601)
Other expenses	(565)	(288)	(565)	(288)
EBITDA*	3,708	4,456	3,708	4,456
Other income	111	39	111	39
Finance costs	(5)	(5)	(5)	(5)
Depreciation and amortisation	(456)	(153)	(456)	(153)
Share of results of jointly controlled entities	(3)	522	(3)	522
Share of results of associates	49	-	49	-
Profit before taxation	3,404	4,859	3,404	4,859
Taxation	(98)	(459)	(98)	(459)
Profit for the period	3,306	4,400	3,306	4,400
Attributable to:				
Equity holders of the parent	3,208	3,520	3,208	3,520
Minority interests	98	880	98	880
	3,306	4,400	3,306	4,400
Earnings per share attributable to equity holders of the parent				
- Basic (sen)	3.5	4.3	3.5	4.3
- Diluted (sen)	NA	NA	NA	NA

* - EBITDA denotes "Earnings Before Interest, Tax, Depreciation and Amortisation"

The unaudited condensed consolidated income statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	AS AT 31 MARCH 2007	AS AT 31 DECEMBER 2006 (AUDITED)
	RM'000	RM'000
Non-current assets		
Plant and equipment	2,775	2,968
Intangible assets	14,672	14,903
Investment in associates	24,889	24,841
Long term investments	6,111	3,202
Deferred tax assets	584	600
Current assets		
Trade and other receivables	38,326	37,112
Cash and bank balances	9,159	12,707
	47,485	49,819
Current liabilities		
Trade and other payables	10,223	12,876
Hire purchase payables	56	105
Tax payable	274	178
	10,553	13,159
Net current assets	36,932	36,660
	85,963	83,174
Financed by:		
Capital and reserves		
Equity attributable to equity holders of the parent		
Share capital	9,075	9,075
Share premium	37,631	37,631
Other reserves	(1,833)	(1,316)
Retained profits	36,445	33,237
	81,318	78,627
Minority Interests	4,413	4,315
Total equity	85,731	82,942
Non-current liability		
Hire purchase payables	232	232
	85,963	83,174
Net assets per share attributable to ordinary equity holders of the parent (sen)	90	87

The unaudited condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share Capital RM'000	Non- Distributable Share Premium RM'000	Non- Distributable Reserve On Consolidation RM'000	Non- Distributable Foreign Exchange Reserve RM'000	Distributable Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
At 1 January 2007	9,075	37,631	-	(1,316)	33,237	78,627	4,315	82,942
Arising from translation of foreign currency	-	-	-	(517)	-	(517)	-	(517)
Net income recognised directly in equity	9,075	37,631	-	(1,833)	33,237	78,110	4,315	82,425
Profit for the year	-	-	-	-	3,208	3,208	98	3,306
Total recognised income and expense for the year	9,075	37,631	-	(1,833)	36,445	81,318	4,413	85,731
At 31 March 2007	<u>9,075</u>	<u>37,631</u>	<u>-</u>	<u>(1,833)</u>	<u>36,445</u>	<u>81,318</u>	<u>4,413</u>	<u>85,731</u>
At 1 January 2006	8,250	17,056	722	47	11,887	37,962	-	37,962
Effect of adopting FRS3	-	-	(722)	-	722	-	-	-
Arising from translation of foreign currency	-	-	-	398	-	398	-	398
Net income recognised directly in equity	8,250	17,056	-	445	12,609	38,360	-	38,360
Profit for the year	-	-	-	-	3,520	3,520	880	4,400
Total recognised income and expense for the year	8,250	17,056	-	445	16,129	41,880	880	42,760
Acquisition of subsidiary	-	-	-	-	-	-	352	352
At 31 March 2006	<u>8,250</u>	<u>17,056</u>	<u>-</u>	<u>445</u>	<u>16,129</u>	<u>41,880</u>	<u>1,232</u>	<u>43,112</u>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)

	THREE MONTHS ENDED 31 MARCH 2007 RM'000	THREE MONTHS ENDED 31 MARCH 2006 RM'000
Cash flows from operating activities		
Profit before taxation	3,404	4,859
Adjustments for non-cash item:		
Non-cash items	(12)	507
Non-operating items	(8)	(34)
Share of results of jointly controlled entities	3	(522)
Share of results of associates	(49)	-
Profit before working capital changes	3,338	4,810
Changes in working capital:		
Net change in current assets	(1,166)	3,608
Net change in current liabilities	(2,655)	(4,286)
Cash generated (used in)/from operations	(483)	4,132
Tax paid	(49)	(19)
Interest paid	(5)	(5)
Net cash(used in)/generated from operating activities	(537)	4,108
Cash flows from investing activities		
Acquisition of subsidiary	-	(11,446)
Long term investment	(2,909)	-
Acquisition of plant and equipment	(66)	(74)
Interest received	13	39
Net cash used in investing activities	(2,962)	(11,481)
Cash flows from financing activity		
Repayment of hire purchase	(49)	(49)
Net cash used in financing activity	(49)	(49)
Net decrease in cash and cash equivalents	(3,548)	(7,422)
Cash and cash equivalents at 1 January	12,707	12,988
Cash and cash equivalents at end of year (i)	9,159	5,566

i) Cash and cash equivalents

Cash and cash equivalents included in the cash flow statements comprise the following balance sheet amounts:

Cash and bank balances	9,159	5,566
	9,159	5,566

The unaudited condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements on pages 5 to 12.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

NOTES TO THE INTERIM FINANCIAL REPORT

**A EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD
("FRS") 134 INTERIM FINANCIAL REPORTING**

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134 "Interim Financial Reporting" and rule 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market.

The interim financial report should be read in conjunction with the latest audited financial statements of the mTouche Technology Berhad ("MTB or Company") and its subsidiaries ("Group") for the financial year ended 31 December 2006.

A2. Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following revised Financial Reporting Standard ("FRS") effective for financial period beginning 1 January 2007:

Amendment to FRS 119 2004	Employee Benefits-Actuarial Gains and Losses, Group Plans and Disclosures
FRS 124	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments : Recognition and Measurement as its effective date has been deferred.

The adoption of the abovementioned FRSs does not result in significant changes in accounting policies of the Group.

A3. Qualification of Financial Statements

The auditor's report on the latest audited financial statements for the financial year ended 31 December 2006 was not subject to any audit qualification.

A4. Seasonal or Cyclical Factors

The results of the Group were not materially affected by any significant seasonal or cyclical factors during the current quarter under review.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter under review.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

A6. Material Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the current quarter results.

A7. Debts and Equity Securities

There were no issuance, repurchase, cancellation, resale, and repayment of debt and equity securities for the current quarter under review.

A8. Dividend

There were no dividends declared and paid for the current quarter under review.

A9. Segmental Information

Segmental information by geographical segments for the three months period ended 31 March 2007

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	7,609	4,676	-	12,285
Inter-segment sales	522	-	(522)	-
Total revenue	<u>8,131</u>	<u>4,676</u>	<u>(522)</u>	<u>12,285</u>
Results				
Segment results	1,330	2,170	(142)	3,358
Share of results of associates	49	-	-	49
Share of results of jointly controlled entities	(3)	-	-	(3)
Profit before tax				<u>3,404</u>
Income tax expenses				<u>(98)</u>
Profit for the year				<u><u>3,306</u></u>

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

A9. Segmental Information (con't)

Segmental information by geographical segments for the three months period ended 31 March 2006

	Matured markets RM'000	Emerging markets RM'000	Elimination RM'000	Total RM'000
Revenue				
Sales to external customers	9,484	2,478	-	11,962
Inter-segment sales	1,753		(1,753)	-
Total revenue	<u>11,237</u>	<u>2,478</u>	<u>(1,753)</u>	<u>11,962</u>
Results				
Segment results	4,809	(566)	94	4,337
Share of results of jointly controlled entities	<u>522</u>	<u>-</u>	<u>-</u>	<u>522</u>
Profit before tax				4,859
Income tax expenses				<u>(459)</u>
Profit for the year				<u><u>4,400</u></u>

A10. Valuation of Property, Plant and Equipment

The Group did not revalue any of its property, plant and equipment during the current quarter under review.

A11. Material Events Subsequent To the End of the Quarter

Incorporation of a new subsidiary in Singapore

On 9 April 2007, MTB had announced the incorporation of mBit Pte Ltd ("mBit"), a company incorporated in Singapore, with issued and paid-up share capital of SGD100 divided into 100 ordinary shares of SGD1.00 each. MTB holds sixty percent (60%) of mBit shares while N2N Consultancy Pte Ltd, a company incorporated in Singapore and See Chun Yan hold twenty percent (20%) each. The principal activity of mBit is software development.

Subsequently on 18 April 2007, MTB had announced that mBit had entered into a subscription agreement with IWAI Group Pte Ltd ("IWAI"), whereby IWAI will subscribe for ten percent (10%) of mBit shares. Upon the completion of the said agreement, mBit will increase its issued and paid-up share capital by 400 ordinary shares of SGD1.00 each to a total of 500 ordinary shares of SGD1.00 each. Consequently, MTB will further subscribe for 210 shares for a consideration of SGD210.00. This will dilute MTB's shareholdings to 54% of the enlarged issued and paid-up share of mBit.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

A11. Material Events Subsequent To the End of the Quarter (con't)

Proposed Bonus Issue and Increase in Authorised Share Capital

On 23 April 2007, MTB had announced that the Company has decided to vary the terms of the following proposals, as announced on 21 February 2007 and subsequently approved by the Securities Commission ("SC") vide its letter dated 30 March 2007:

- (i) Proposed bonus issue of 363,000,000 new ordinary shares of RM0.10 each in MTB ("MTB Shares") on the basis of four (4) new MTB Shares for every one (1) existing MTB share held at an entitlement date to be determined later;
- (ii) Proposed increase in the authorised share capital of MTB from RM10,000,000 comprising 100,000,000 MTB shares to RM100,000,00 comprising 1,000,000 MTB shares.

The terms of the above proposals have been varied to as follows:

- (i) Proposed bonus issue of up to 37,434,375 new MTB Shares on the basis of one (1) new MTB share for every four (4) existing MTB Shares held at the entitlement date to be determined later;
- (ii) Proposed increase in authorised share capital of MTB from RM10,000,000 comprising 100,000,000 MTB Shares to RM50,000,000 comprising 500,000,000 MTB Shares.

Proposed Renounceable Right Issue

On 23 April 2007, MTB had announced that the proposed renounceable right issue of up to 49,912,500 new MTB Shares with up to 49,912,500 free detachable warrants on the basis of one (1) right share with one (1) free warrant for every two (2) existing MTB Shares held on an entitlement date to be determined later at an indicative issue price of RM1.20 per rights share.

Proposed Acquisition of USD7,093,220 Nominal Value Murabahah Loan Notes ("MLN")

On 8 May 2007, MTB had announced that the Company had, on even date, entered into a conditional sale and purchase cum novation agreement with Goh Eugene (the "Subscriber") and GMO Limited (the "Issuer" or "GMOL") to acquire the USD7,093,220 nominal value MLN held by the Subscriber, for a total cash consideration of USD6,117,302.

On 22 January 2007, MTB had announced that the Company had, on even date, entered into a subscription agreement with GMOL to subscribe for USD999,184 nominal value MLN comprising USD830,000 nominal value primary MLN and USD169,184 nominal value secondary MLN, for a total subscription consideration of USD830,000. Further, on even date, Goh Eugene had entered into a separate subscription agreement with the Issuer to subscribe for USD7,093,220 nominal value MLN comprising USD5,896,000 nominal value primary MLN and USD1,197,220 nominal value secondary MLN, for a total subscription consideration of USD5,896,000.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

A12. Changes in Composition of the Group

On 19 March 2007, MTB had announced that the Company's 70% owned subsidiary in British Virgin Islands namely Rayson Management Limited ("RML"), which is held through mTouche (HK) Limited ("MTHK"), a 100% owned subsidiary of MTB had acquired two (2) ordinary shares of RM1.00 each representing the entire issued and paid up share capital of Telesmart Communications Sdn. Bhd. ("TCSB") for a cash consideration of RM2.00 from the subscriber shareholders. TCSB was incorporated on 6 February 2007 in Malaysia with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each. TCSB is currently dormant and TCSB will be principally involved in the provision of information technology consultancy and provision of services to the telecommunication industry.

A13. Contingent Assets or Liabilities

There were no contingent assets or contingent liabilities for the current quarter under review.

B. ADDITIONAL INFORMATION REQUIRED BY BURSA SECURITIES' LISTING REQUIREMENTS

B1. Review of Performance

For the period ended 31 March 2007, the Group recorded revenue and profit before taxation ("PBT") of approximately RM12.3 million and RM3.4 million respectively. The increase in revenue of approximately 2.7% as compared to preceding year corresponding period was due mainly from the contribution of the Group's newly acquired subsidiaries. The lower PBT of 29.9% as compared to preceding year corresponding period was due mainly to the higher administration costs as the Group expands, such as start-up costs incurred in the setting up of operations in Australia, Vietnam and India, and higher amortisation cost for the intellectual property.

B2. Material Change in PBT In Comparison to the Previous Quarter

For the period ended 31 March 2007, the Group recorded PBT of approximately RM3.4 million (Q4'06: RM5.4 million). The Group's first quarter results is historically lower than the previous quarter in conjunction with the end of the festive and holiday season.

B3. Future Prospect

The Group will continue to focus on its core activities and barring any unforeseen circumstances, the Directors anticipate that the performance of the Group will be satisfactory for the financial year ending 31 December 2007.

B4. Variance on Profit Forecast/Profit Guarantee

Not applicable as the Group has not issued any profit forecast/profit guarantee for the current quarter and financial year to-date.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

B5. Taxation

	Individual Quarter		Cumulative Quarter		
	Current year	Preceding year	Current year	Preceding year	
	quarter	corresponding	quarter	corresponding	
	31.3.2007	quarter	31.3.2007	quarter	
	RM'000	31.3.2006	RM'000	31.3.2006	RM'000
Current tax:					
Malaysian					
income tax					
- Group	89	10	89	10	
Foreign tax	9	449	9	449	
	98	459	98	459	
Deferred tax	-	-	-	-	
	98	459	98	459	

Malaysian income tax is calculated at the Malaysian statutory tax rate of 27% (2006:28%) of the estimated assessable profit for the period. Taxation for other jurisdiction is calculated at the rate prevailing in the respective jurisdiction.

For the period ended 31 March 2007, the provision for taxation arose from companies operating in Malaysia whereas the foreign income tax provision is in respect of Inova Venture Pte Ltd. There is no provision for taxation for Singapore, Indonesia and Thailand in the current period due to the utilisation of prior year business tax losses brought forward. No provision for taxation for Australia, Vietnam and India subsidiaries as they are in a net loss position.

No provision for taxation has been made on the chargeable income of MTB as there was no income tax liability imposed on the approved qualifying activities based on the Pioneer Status incentive awarded to MTB as a Multimedia Super Corridor Status company under Section 4A of the Promotion of Investment Act, 1986 except for the interest income earned from fixed deposit and the murabahah loan notes which are taxable.

B6. Profits on Sale of Unquoted Investments and/or Properties

There were no disposals of unquoted investments and/or properties by the Group for the current quarter and financial year under review.

B7. Quoted Securities

There was no purchase or disposal of quoted securities by the Group for the current quarter and financial year under review.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

B8. Status of Corporate Proposal

a) Proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of MTB

On 21 February 2007, MTB announced that the Company is proposing to undertake a proposed private placement of up to ten percent (10%) of the issued and paid-up share capital of MTB which was approved by the Securities Commission on 30 March 2007.

b) Utilisation of proceeds from the Private Placement exercise on 16 August 2006

As at 31 March 2007, the Company has utilised approximately 74.1% of the proceeds raised from the Private Placement exercise on 16 August 2006.

Nature of Expenses	Proposed Amount RM'000	Actual Utilisation RM'000	Unused Amount RM'000
Future viable investment	22,188	15,531	6,657
Placement expenses	500	1,277	(777)
Total	22,688	16,808	5,880

Note:

1. The Private Placement was completed on 16 August 2006 with an additional RM777,000 expenses incurred. This was due mainly to consultancy fees incurred for the procurement of suitable placees. In this regard, the Company will adjust the difference against the proceeds identified for viable future investments.
2. Approximately RM15.5 million has been utilised for investment in subsidiaries and associates.

9. Borrowings and Debt Securities

Save as disclosed below, there were no other borrowings or debt securities in the Group as at 31 March 2007.

Hire purchase payables (secured)	As at 31.3.2007 RM'000	As at 31.3.2006 RM'000
Payable within 12 months		
- Malaysia	56	58
- Singapore (RM equivalent)	-	88
	<u>56</u>	<u>146</u>
Payable after 12 months		
- Malaysia	232	299
- Singapore (RM equivalent)	-	29
	<u>232</u>	<u>328</u>

The foreign exchange rate for period ended 31 March 2006 was SGD1.00 : RM2.2778.

MTOUCHE TECHNOLOGY BERHAD
Company no. 656395-X
(Incorporated in Malaysia)

**INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER
AND THREE MONTHS ENDED 31 MARCH 2007**

B10. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments.

B11. Material Litigation

There is no pending material litigation for the current quarter and financial year under review.

B12. Dividend

No interim/final dividend was declared during the current quarter under review.

B13. Earnings Per Share

The basic earnings per share has been calculated based on the profit for the period attributable to ordinary equity holder of the parent divided by the weighted number of ordinary shares of RM0.10 each in issue during the period.

	3 months ended 31.3.2007	3 months ended 31.3.2006
Profit for the period attributable to the ordinary equity holder of the parent (RM'000)	3,208	3,520
Weighted average number of ordinary shares in issue ('000)	90,750	82,500
Basic earnings per share attributable to equity holders of the parent (sen)	<u>3.5</u>	<u>4.3</u>